



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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March 17, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**FIVE-YEAR OPTION TO RENEW LEASE NO. 71568
DEPARTMENT OF PUBLIC SOCIAL SERVICES
1050 EAST PALMDALE BOULEVARD, PALMDALE
(FIFTH DISTRICT) (3 VOTES)**

SUBJECT

This recommendation is for a five-year lease renewal of 18,795 square feet of office space and 125 parking spaces located at 1050 East Palmdale Boulevard, Palmdale, for the Department of Public Social Services (DPSS).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the lease renewal is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.
2. Exercise the option to renew the lease for a five-year term with Coast United Advertising (Lessor) for 18,795 rentable square feet of offices space located at 1050 East Palmdale Boulevard, Palmdale, for DPSS at an annual first year rent not to exceed \$371,314. The rental cost for DPSS is approximately 92 percent subvned by State and Federal funds and 8 percent net County cost.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

DPSS has leased 18,795 rentable square feet of office space at this location since 1999. In 1998, DPSS was mandated by the State to provide job training services to welfare clients as part of the Welfare-to-Work program. This renewal will allow MAXIMUS, Inc., who is contracted by DPSS, to provide continuous employment-related services for the Greater Avenue for Independence (GAIN) or Welfare-to-Work program to residents of Palmdale/Lancaster Antelope Valley area. The program currently consists of 86 contracted staff, seven DPSS employees, and nine co-located staff, who provide supportive services. Approval of this proposed lease renewal will extend the term of the lease for five years.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we strengthen the County's fiscal capacity (Goal 4). In this case, we have consolidated multiple departmental functions in accordance with the Strategic Asset Management Principles, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The lease contains a provision for the Consumer Price Index (CPI) increases of no greater than 4 percent of the monthly base year rent nor a rent lower than the previous year's base rent. The actual amount of the CPI has not yet been calculated. However, the maximum annual first year rent of the renewal term would not exceed \$371,314 based on the provisions of the lease.

1050 EAST PALMDALE BLVD., PALMDALE	EXISTING LEASE	LEASE RENEWAL	CHANGES
AREA (SQUARE FEET)	18,795	18,795	None
TERM	03/20/99 to 03/19/09	03/20/09 to 03/19/14	Five years
ANNUAL BASE RENT	\$360,398 (\$19.18/sq.ft.)	\$371,314 (\$19.75/sq.ft.)	Maximum + \$10,916
PARKING INCLUDED IN RENT	125 on-site spaces	125 on-site spaces	None
CANCELLATION	Anytime on 90 days notice after the 30th month	Anytime on 90 days notice	None
OPTION TO RENEW	One five-year option	One five-year option exercised	None
RENTAL ADJUSTMENT	Annual CPI with a cap of 4 percent of base year monthly rent	Annual CPI with a cap of 4 percent of base year monthly rent	None

Sufficient funding for the proposed lease renewal is included in the 2008-09 Rent Expense budget and will be charged back to DPSS. Sufficient funding is available in DPSS operating budgets to cover the proposed lease costs.

The annual lease cost for DPSS is approximately 92 percent subvention funded and 8 percent net County cost.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Notice of intent to exercise this option has been provided to the Lessor. The lease renewal requires your Board to exercise the option and contains the following terms and conditions.

- The term commences March 20, 2009, and expires five years thereafter.
- There is a cancellation provision allowing the County of Los Angeles (County) to cancel anytime on 90 days prior written notice during the five-year term.
- The rent includes on-site parking for 125 vehicles.
- The lease continues on a modified full service basis. The County is responsible for all electrical consumption and janitorial services and supplies.
- The rent under the lease renewal will be subject to annual CPI increases capped at 4 percent of the original monthly base rent of \$22,742. The maximum CPI increase is limited to 4 percent and could be \$10,916 for the initial year of the lease renewal.
- There are no tenant improvements included with the renewal of the lease.

The Chief Executive Office (CEO) Real Estate staff surveyed the County for alternative sites as requested by DPSS. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically. Additionally, CEO Real Estate staff surveyed the County areas that best could service this need of the department to determine the market rate of comparable sites. Based upon said survey, staff has established that the base rental range including parking for similar property is between \$19.75 and \$22.24 per square foot per year modified full service. Thus, the base annual rent of \$19.75 per square foot for the base lease cost is within the market range. Attachment B shows County-owned and leased facilities within the search area for these programs and none are available to house these programs.

The cost of renovating and building-out office space at a new location is not feasible at this time. Should a more cost effective facility or housing approach become available in the near future, the early termination right negotiated in the lease affords the County flexibility to pursue future opportunities that may become available.

The Department of Public Works previously inspected this facility and its recommendation concluded the facility met the County's requirements for use by the County.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CEO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

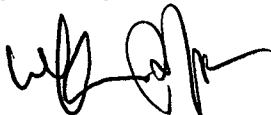
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease renewal will provide the necessary office space for this County requirement. DPSS concurs with the proposed lease renewal.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:JSE
CEM:TS:hd

Attachments (2)

c: County Counsel
Department of Public Social Services

PUBLIC SOCIAL SERVICES DEPARTMENT
1050 EAST PALMDALE BOULEVARD, PALMDALE
Asset Management Principles Compliance Form¹

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²			X
	B	Does lease co-locate with other functions to better serve clients? ²			X
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ² 186 sq. ft. per person.	X		
2.	<u>Capital</u>				
	A	Is it a substantial net County cost (NCC) program? 92% State and Federal Funding.		X	
	B	Is this a long term County program?	X		
	C	If yes to 2 B or C; is it a capital lease or an operating lease with an option to buy?		X	
	D	If no, are there any suitable County-owned facilities available?		X	
	E	If yes, why is lease being recommended over occupancy in County-owned space?			X
	F	Is Building Description Report attached as Attachment B?	X		
	G	Was build-to-suit or capital project considered? Program is state and federally funded offsetting monthly rental costs. Capital project was not considered, because of favorable lease term.		X	
3.	<u>Portfolio Management</u>				
	A	Did department utilize CAO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. ____ No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. <u>X</u> The Program is being co-located.			
	E	Is lease a full service lease? ² No, the County is responsible for all electricity consumed by its use and janitorial services and supplies, because the lessor refuses to pay for these items.		X	
	F	Has growth projection been considered in space request?	X		
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
		¹ As approved by the Board of Supervisors 11/17/98			

²If not, why not?

Attachment B

**SPACE SEARCH – WITHIN SERVICE AREA OF DPSSD CLIENT PARTICIPANTS,
1050 EAST PALMDALE BOULEVARD, PALMDALE
PUBLIC SOCIALSERVICES DEPARTMENT**

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAIL
0059	PW Road –Div #551 Maintenance	4859 W Ave L-12 Quartz Hill	1,2501	1,125	OWNED	NONE
D620	Public Library-Quartz Hill	42018 N 50 Th St. W., Quartz Hill	3,530	3,291	LEASED	NONE
B636	DPSS Lancaster Office Center	43770 N 15 th Street W, Lancaster	4,020	3,901	LEASED	NONE
A079	Assessor's Regional Office	251 E Avenue K-6, Lancaster	15,338	13,712	LEASED	NONE
A035	Board of Supervisors 5 th District Field Office	1113 W 4 th Street W, Lancaster	1,241	1,164	LEASED	NONE
X511	Antelope Valley Courthouse	42011 4 th St, W, Lancaster	389,000	267,610	FINANCED	NONE
A008	Antelope Valley Service Center	335 A E Avenue K-6, Lancaster	51,000	242,803	LEASED	NONE
A433	Antelope Valley Service Center B	349 A-B E Avenue K-6, Lancaster	51,000	33,932	LEASED	NONE
A492	DPSS Lancaster IHSS Annex	43424 Copeland Cir., Lancaster	2,400	2,280	LEASED	NONE
A192	Probation –Antelope Valley Area	321 E Avenue K-4, Lancaster	6,400	6,000	LEASED	NONE
X495	PW Waterworks North Maintenance Area	260 E Avenue K-8 Between K-8 and K-10, Lancaster	13,200	11,150	OWNED	NONE
A125	Lake Los Angeles Library	16921 E Avenue O, Palmdale	3,245	2,921	LEASED	NONE
A125	Lake Los Angeles Clinic	16921 E Avenue O, Palmdale	2,457	2,211	LEASED	NONE
A509	Palmdale Courthouse	38256 Sierra Highway, Palmdale	18,528	16,256	OWNED	NONE